

Message Text

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ACTION STR-01

INFO OCT-01 EUR-10 EA-07 IO-03 ISO-00 EB-03 CIEP-01 SS-14

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SIL-01 OMB-01 AGR-03 PA-01 PRS-01 USIA-04 FEAE-00 H-01

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 7604

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION NATO

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FOR : MAJ DENEDN OF AMB. EBERLES PARTY

E.O. 11652: NA

TAGS: ETRD, EC, OVIP (EBERLE, WILLIAM D.)

SUBJECT: EECOMMISSION AND IRISH AND DANISH REACTION TO AMBASSADOR
EBERLE'S BRIEFING ON THE PRESIDENT'S ECONOMIC PROGRAM.

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1. SUMMARY: EC COMMISSIONERS REACTED TO AMBASSADOR EBERLE'S

EXPOSITION OF THE PRESIDENT'S ECONOMIC PROGRAM WITH (A) APPRECIATION FOR THE PROMPT HIGH LEVEL EXPLANATION AND (B) PRAISE FOR THE BALANCED OUTWARD LOOKING FEATURES OF THE PROGRAM. (IN A SEPARATE MEETING DANISH AND IRISH REPRESENTATIVES GAVE A SIMILAR RESPONSE.) THE COMMISSION SAID THAT THE DIRECTION THE US HAD TAKEN WOULD HEIGHTEN THE PROBABILITY THAT EUROPE COULD ALSO TACKLE CURRENT ECONOMIC PROBLEMS IN A MEASURED WAY. THEY WERE OBVIOUSLY RELIEVED THAT PRESIDENT FORD'S MESSAGE AVOIDED AN UNDULY RESTRICTIVE APPROACH AND STRESSED THE NEED FOR INTERNATIONAL COOPERATION. COMMISSION OFFICIALS EXPRESSED SPECIFIC CONCERN OVER RECENT DELAYS IN ACTION ON THE TRADE BILL AND QUIZZED EBERLE CLOSELY ON THE POSSIBILITY OF EXPORT CONTROLS ON AGRICULTURAL PRODUCTS. END SUMMARY.

2. ON OCTOBER 9, AMBASSADOR EBERLE GAVE A DETAILED DESCRIPTION OF THE PRESIDENT'S ECONOMIC PROGRAM TO EC COMMISSION PRESIDENT ORTOLI, VICE PRESIDENTS SOAMES AND HAERKAMP, COMMISSIONERS LARDINOIS, GUNDELACH AND CHEYSSON, SECRETARY GENERAL NOEL, DIRECTORS GENERAL WELLENSTEIN, MOSCA, BRAUN AND RABOT AND OTHER OFFICIALS. IN A SEPARATE MEETING HE ALSO BRIEFED IRISH AND DANISH REPRESENTATIVES. AMBASSADOR EBERLE'S MEETING WITH BELGIAN, DUTCH AND LUXEMBOURG OFFICIALS IS BEING REPORTED IN A SEPARATE TELEGRAM. HE SPOKE WITH THE PRESS AT THE END OF THE DAY.

3. POSITIVE REACTION: AMBASSADOR EBERLE'S PRESENTATION DREW HEAVILY ON THE OCTOBER 8 FACT SHEET. THE COMMISSION OFFICIALS' REACTION TO PRESIDENT FORD'S PROGRAM WAS POSITIVE. THOUGH CHARACTERIZING THEIR IMPRESSIONS AS NECESSARILY TENTATIVE, SINCE THEY HAD NOT HAD TIME TO STUDY THE PROGRAM IN DETAIL, THEY COMMENDED WHAT THEY DESCRIBED AS A BALANCE BETWEEN GROWTH AND RESTRAINT AND BETWEEN A MACRO- AND A MICRO-ECONOMIC APPROACH. SEVERAL INDICATED THAT A MAIN INTERNATIONAL PROBLEM WAS THE PUBLIC'S GROWING FEAR OF SEVERE RECESSION, WHICH THE MEDIA WERE ENCOURAGING. A CREDIBLE MULTIFACETED RESTRAINED US RESPONSE TO CURRENT ECONOMIC PROBLEM WOULD HELP AVOID PUBLIC PANIC AND MAKE IT EASIER FOR EUROPE TO FOLLOW UP WITH AN EQUALLY SENSIBLE PROGRAM. COMMISSIONER GUNDELACH SAID THAT THE MODERATION OF THE PRESIDENT'S PROGRAM WOULD BE GREETED IN EUROPE WITH A SIGH OF RELIEF. BOTH HE AND PRESIDENT ORTOLI APPROVED THE SECTORAL ASPECTS (ENERGY CONSERVATION, EXAMINATION OF THE PRICE EFFECTS LIMITED OFFICIAL USE

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OF GOVERNMENT REGULATIONS ETC.) THE COMMISSION WAS OBVIOUSLY MUCH PLEASED THAT THE PRESIDENT HAD CARED ENOUGH ABOUT THEIR REACTION TO DISPATCH AMBASSADOR EBERLE TO EXPLAIN THE PROGRAM THE DAY AFTER THE PRESIDENT'S SPEECH.

4. PSYCHOLOGICAL EFFECTS: EBERLE AGREED WITH THE COMMISSION THAT THE PSYCHOLOGICAL ELEMENT WAS CRITICAL TO SUCCESS. THE US ECONOMY WAS NOT WEAK-- EMPLOYMENT HAD INCREASED DESPITE THE DOWN TURN IN

THE GNP. THE AMERICAN PUBLIC WANTS LEADERSHIP IN THE FIGHT AGAINST INFLATION AND SHOULD ACCEPT THE BALANCED APPROACH ADOPTED BY THE PRESIDENT. A COORDINATED INTERNATIONAL APPROACH TO THESE PROBLEMS WILL ALSO BUTTRESS PUBLIC CONFIDENCE. EBERLE INDICATED HE HAD MET WITH SEVERAL COMMISSIONERS WHO HAD VISITED WASHINGTON BEFORE THE PROGRAM WAS ADOPTED, AND THEIR VIEWS HAD BEEN CONSIDERED.

5. FISCAL AND MONETARY POLICY: EBERLE EXPLAINED THAT THE ECONOMIC PROGRAM'S OVERALL OBJECTIVE IS TO OBTAIN OPTIMUM CONTROL OVER INFLATION WITHOUT INCURRING TOO MUCH DEFLATION. THE DECISION TO PROPOSE A 5 PERCENT SURCHARGE ON CORPORATE AND HIGH PERSONAL INCOME WAS THE FIRST TIME A PRESIDENT HAD PROPOSED A TAX INCREASE JUST BEFORE A NATIONAL ELECTION. IN RESPONSE TO A QUESTION FROM ORTOLI ABOUT US MONETARY POLICY AND INTEREST RATE DEVELOPMENTS, SEEVERS REPLIED THAT US MONETARY POLICY IS EXPECTED TO MODERATE SOMEWHAT AND INTEREST RATES HAVE STARTED DOWN. THE PRESIDENT'S STATEMENT INDICATING THAT GOVERNOR BURNS HAD PROMISED THERE WOULD BE NO MONETARY CRUCH SHOULD REASSURE THE PUBLIC ON THE FRB'S COOPERATION IN ADOPTING A MODERATE CREDIT POLICY.

6. MODERATING MEASURES: EBERLE LISTED MEASURES TO AID HOUSING AND RELIEVE UNEMPLOYMENT AS WELL AS TO INCREASE COMPETITION AND PRODUCTIVITY. A 6 PERCENT RATE OF UNEMPLOYMENT, WHICH COULD BE EXCEEDED NEXT YEAR, WOULD TRIGGER PUBLIC EXPENDITURES TO DRAW MANPOWER INTO COMMUNITY IMPROVEMENT ACTIVITIES. COMMISSION OFFICIALS WELCOMED THIS COMPREHENSIVE APPROACH, WHICH INDICATED THE US INTENDED TO AVOID A SERIOUS RECESSION AND THE ATTENDANT PROBLEMS THIS WOULD CREATE FOR THE COMMUNITY. THE EC FACED SIMILAR PROBLEMS AND US LEADERSHIP SHOULD ENABLE IT TO CONSIDER ADOPTING SIMILAR MEASURES. THE COMMUNITY WANTED TO CONTINUE A DIALOGUE WITH THE US IN ORDER TO ASSURE THAT COMPATIBLE PROGRAMS WOULD BE UNDERTAKEN.

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7. FOOD: EBERLE SAID THE US OBJECTIVE WAS TO BRING DOWN FOOD PRICES AND CONTINUE TO MAKE AVAILABLE OVERSEAS US FOODSTUFFS. HE GAVE A DETAILED EXPLANATION OF THE EVENTS LEADING UP TO THE RECENT DECISION TO HOLD UP THE SALE OF GRAIN TO THE USSR. HE SAID THAT THE US DOES NOT EXPECT TO ESTABLISH CONTROLS ON FOOD EXPORTS, BUT IT WILL CONTINUE TO MONITOR OVERSEAS SHIPMENTS AND WILL EXPECT CLOSE CONSULTATION WITH FOREIGN GOVERNMENTS. THE US WILL CONTINUE TO COOPERATE WITH THE EC IN THESE MATTERS. COMMISSIONERS SOAMES AND LARDINOIS QUIZZED HIM CAREFULLY ON THESE POINTS. IN REPLY TO QUESTIONS, EBERLE SAID THAT US ACTIONS WOULD DEPEND HEAVILY ON THE DEGREE OF COOPERATION IT GETS FROM FOREIGN GOVERNMENTS (INFORMATION ON PROSPECTS AND AVOIDANCE OF STOCKPILING IN A PERIOD OF TIGHT SUPPLY).

8. ENERGY: EBERLE SAID THE US EXPECTS TO REDUCE PETROLEUM IMPORTS BY ADOPTING CONSERVATION MEASURES, EXPANDING THE USE OF COAL AND INCREASING ALTERNATE SOURCES OF ENERGY. THESE MEASURES SHOULD REDUCE PRESSURES ON THE INTERNATIONAL MARKET AND ENCOURAGE THE OIL PRODUCING COUNTRIES TO TAKE A CONSTRUCTIVE APPROACH TOWARDS PETROLEUM PRICES. ORTOLI RESPONDED THAT SUCH AN APPROACH WAS THE ONLY WAY TO AVOID FURTHER PETROLEUM PRICE INCREASES AND IT MIGHT EVEN HELP BRING PRICES DOWN. COMMISSION OFFICIALS WELCOMED THE US DECISION TO ATTACK ITS ENERGY PROBLEM AT HOME. THEY SAW A PARALLEL BETWEEN US ACTIONS AND THE CURRENT COMMUNITY'S EFFORTS TO REDUCE ENERGY CONSUMPTION.

9. TRADE BILL: EBERLE SAID THAT WITH THE EXCEPTION OF THE QUESTION OF THE JACKSON-VANIK AMENDMENT, THE SENATE FINANCE COMMITTEE HAS COMPLETED ITS WORK ON THE BILL AND SENATOR LONG HAS PROMISED TO REPORT THE BILL TO THE SENATE FLOOR. THE SENATE SHOULD BEGIN ITS CONSIDERATION OF THE BILL SHORTLY AFTER NOVEMBER 11. THE COMMISSION EMPHASIZED THE IMPORTANCE OF OBTAINING FAVORABLE ACTION ON THIS LEGISLATION BY NO LATER THAN THE END OF THE YEAR.

10. SEPARATE MEETING WITH IRISH AND DANES: RESPONDING TO EBERLE'S BRIEFING, IRISH PERMANENT REPRESENTATIVE DILLON SAID HE WAS PLEASED AT THE OUTWARD LOOKING APPROACH OF THE US PROGRAM AND THE UNPRECEDENTED ACTION OF SENDING AN EMISSARY LIMITED OFFICIAL USE

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TO BRIEF OTHER COUNTRIES ON A DOMESTIC ECONOMIC PROGRAM. IRELAND WAS PARTICULARLY GRATIFIED OVER US EFFORTS TO REDUCE ITS OIL IMPORTS. THE DANISH CHARGE TO THE EC ALSO APPRECIATED THE BALANCED US APPROACH AND ASKED WHAT WOULD BE THE IMPACT ON US IMPORTS. EBERLE INDICATED THAT EMPHASIS ON A HEALTHY AND GROWING ECONOMY AND A REDUCTION IN INFLATION WOULD HELP TO MAINTAIN US IMPORT LEVELS. GREENWALD

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